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Alberta ECONOMIC OUTLOOK

MARCH 1973

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ALBERTA – NATIONAL AFFAIRS

For the past several years the problems of inflation and unemployment have persisted in Canada with attempts to solve these issues meeting little success. During the past year the economy displayed considerable strength except that the rate of price increases and unemployment remained at unacceptably high levels.

Mr. Turner's budget of February 19, 1972, took steps to increase disposable income which should stimulate increased aggregate demand. The lowering of tariffs and excise taxes should reduce the costs of production, which should enable the industries to pass on these savings in the form of reduced prices. The effectiveness of this policy will depend ultimately on the amount of the cost savings which industry wishes to pass on to the consumer. The Federal Government has in effect placed the responsibility for fighting inflation and unemployment with the private sector.

Earlier economic forecasts for 1973 indicated a slight reduction in both inflation and unemployment. However, these initial forecasts did not take into account the recent realignment of the world's major currencies, as well as the tariff and tax reductions of the recent federal budget. The effective devaluation of the Canadian dollar will raise the price of imports, applying further inflationary pressures in Canada. The tax and tariff reductions of the budget on the other hand should reduce the inflationary pressures in the economy. It is difficult to predict the final outcome, because this will ultimately depend on the international monetary situation, future domestic monetary policy and how individual industries and consumers react to the tax and tariff cuts. Some observers feel that the interplay of these factors could lead to a higher inflation rate in 1973. However, some easing of the inflationary pressures may still result. Unemployment in Canada should also decline, but likely still above the 5 per cent level in 1973.

1972 was a relatively good year for manufacturing. The physical volume of manufacturing output in Canada rose by 11 per cent between the third and fourth quarters of 1972, placing the total manufacturing output at 6 per cent above the 1971 level. Employment in manufacturing increased by 4 per cent in 1972 over the previous year and to November, 1972, the value of factory sales, as measured by the value of manufacturing shipments, increased by 10 per cent over the same period in 1971. The recent changes in the international monetary situation, the tariff and tax reductions in the latest federal budget, plus the anticipated adoption of the corporate tax changes proposed in the May, 1972 federal budget, should provide additional stimulus to this sector for further expansion in 1973.

ALBERTA – PROVINCIAL AFFAIRS

On February 15, 1973, Energy Minister Donald McDonald announced that effective March 1, 1973, oil exports would be subject to restrictions of the National Energy Board to ensure that Canadian requirements are satisfied.

Applications for crude oil export licenses must now be filed by all pipeline companies with the N.E.B. for the coming month. At present, allowable exports will be determined on the basis of the Canadian domestic requirements within the limits of the existing pipeline capacity. This policy will remain in effect until a formula based on Canada's known oil reserves is devised through consultation with the industry in upcoming hearings before the Board.

The long-run effects of continual monitoring of Canadian crude exports will not likely depress prices due to the strong demand for energy not only in the U.S., but Canada as well.

The tariff reductions of the latest federal budget of particular interest to Alberta are those related to the Food and Beverage Industries and the House Trailer and Mobile Home Manufacturers.

Tariff reductions on such items as live cattle and hogs, fresh meats, vegetables and fruits should not be detrimental to Alberta's Food and Beverage Industry. The retail price reduction which could occur is expected to be small in most cases. Concern, however, has been expressed that the tariff reductions, although providing an opportunity for processors to reduce prices to consumers, and because these industries are largely supplied by Canadian producers, could result in reduced prices for Canadian primary producers as well. This would result if the industries wanted to maintain the same level of profit. However, the Federal Government is also planning to reduce the corporate profit tax rate as

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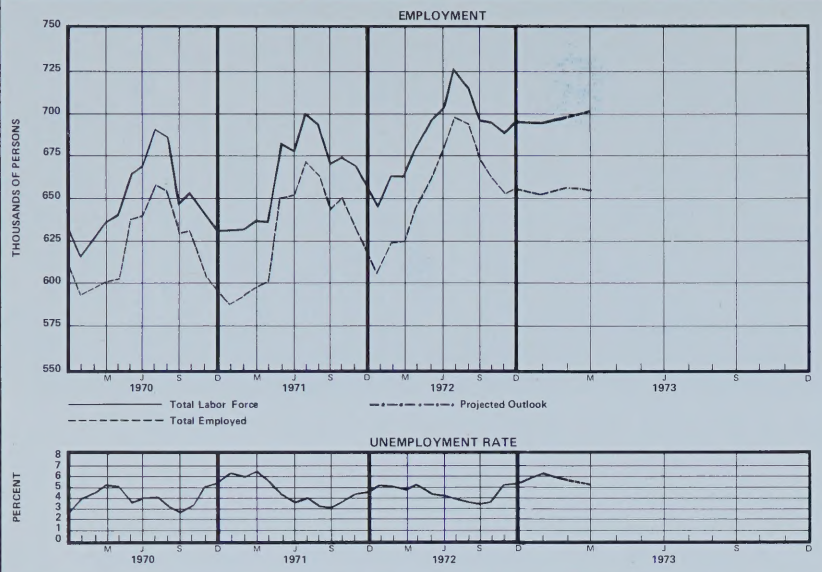
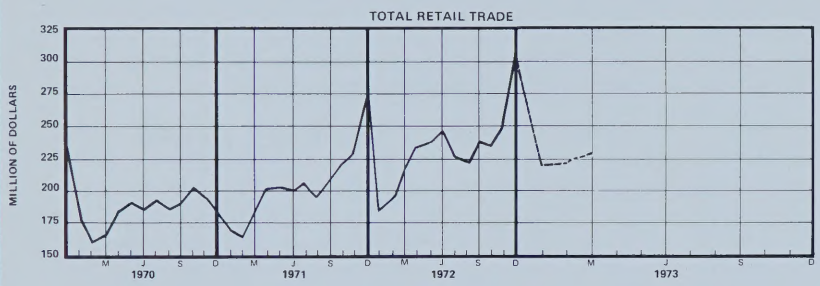


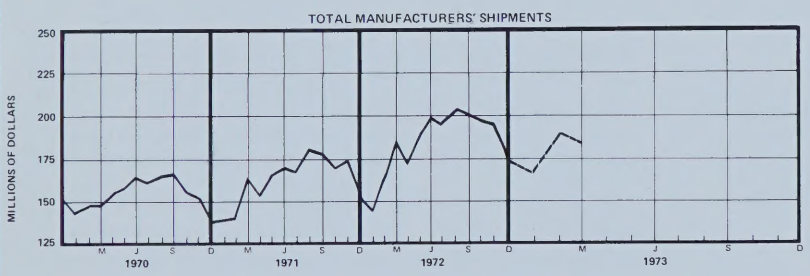
EMPLOYMENT

Total labour force and employed in Alberta in February reached 696,000 and 657,000, respectively. The 39,000 unemployed was an improvement over January's total, with the resultant unemployment rate declining from 6.2 per cent in January to 5.6 per cent in February. Continued stability in the labour force and gains in the number of employed contributed to the drop in unemployed. March's labour force and total employed are expected to reach close to 702,000 and 655,000 respectively, resulting in fewer people unemployed, close to 37,000. April's outlook is for further seasonal declines in the number of unemployed, and increases in both the labour force and total employed.



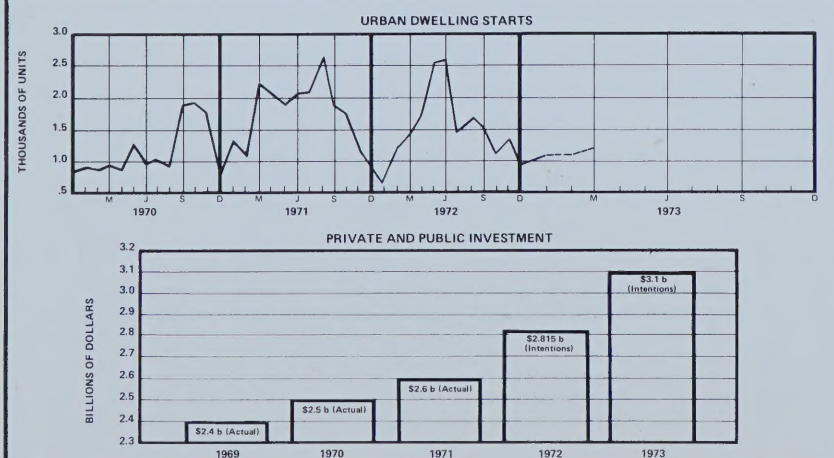
RETAIL TRADE

Retail trade in Alberta in 1972 totalled nearly $2.8 billion, an increase of close to 13 per cent over 1971. December's total was estimated at $308 million, an increase of 10 per cent over December, 1971. Our forecasts for January and February reported last month still appear valid at $220 million and $222 million to be followed by nearly $229 in March. Prospects for April indicate a total of close to $250 million.



MANUFACTURERS' SHIPMENTS

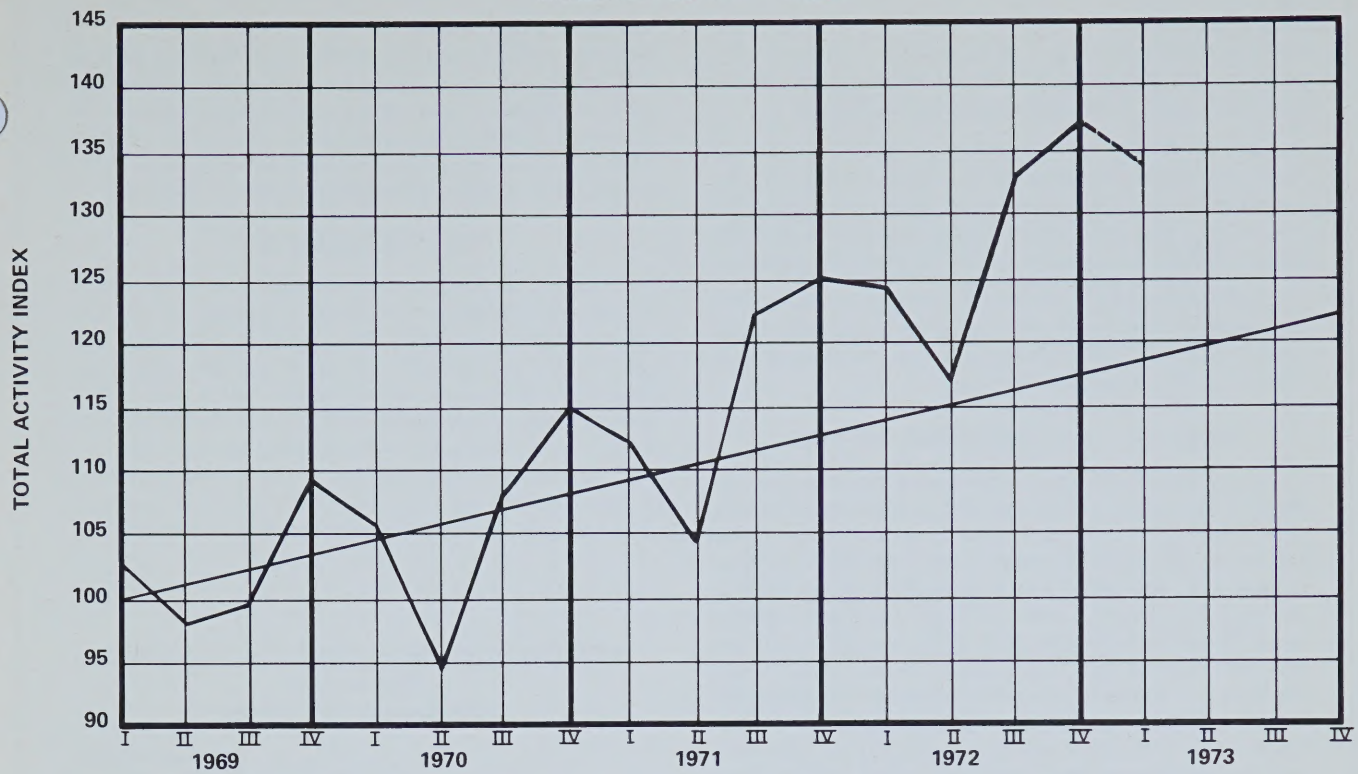
December's value of manufacturers' shipments of $17 million resulted in a year-end total of over $2.2 billion, an increase of over 14 per cent above 1971, a record year for Alberta manufacturers. March's total is forecast to reach close to $185 million, preceded by January and February totals of $167 million and $190 million, respectively. April's total should top the $200 million mark, substantially above the previous April.



HOUSING

Urban dwelling starts in Alberta in January 1973 totalled 1,071, considerably above last January's total of 665. This increase can be attributable, in part, to the increasing trend toward single family units, which predominated in 1972; a stable mortgage market; and above-normal weather conditions through the month. It is still too early to predict the trend in total starts for the year, but it is likely that 1973's total should approximate that for 1972 and that single unit construction will predominate.

ALBERTA'S ACTIVITY INDEX



PERTINENT ECONOMIC INDICATORS FOR THE PROVINCE OF ALBERTA

INDICATOR	Percentage Change in Volume Activity Total Year 1971 - 1970	 Year to date 1972 - 1971
MANUFACTURING		
Slaughtered Meat Production	+13.6	+ 3.3 (Jan. – Dec.)
Slaughtered Meat Exported	+12.6	+ 5.3 (Jan. – Dec.)
Refinery Production (Est'd)	+10.7	+23.0 (Jan. – Dec.)
Cement Production	+ 4.5	+ 3.5 (Jan. – Dec.)
MINING		
Oil Production	+ 9.4	+20.8 (Jan. – Dec.)
Gas Production	+10.1	+16.8 (Jan. – Dec.)
Footage Drilled	+ 1.8	+21.9 (Jan. – Dec.)
Number of Wells Drilled	+ 9.6	+13.1 (Jan. – Dec.)
Coal Production	+31.7	+14.2 (Jan. – Dec.)
CONSTRUCTION		
Urban Dwelling Starts	+54.0	- 15.4 (Jan. – Dec.)
Rigid Insulation Board Shipments to Alberta	+15.6	+ 5.9 (Jan. – Dec.)
Metal Shapes Shipments (Est'd)	- 4.0	+ 7.6 (Jan. – Dec.)
AGRICULTURE		
Grain Shipments	+ 8.8	- 2.9 (Jan. – Dec.)
Livestock Marketed	+15.1	- 1.6 (Jan. – Dec.)
Farm Cash Receipts	+ 9.8	+14.0 (Jan. – Dec.)
FORESTRY		
Lumber Production	+ 6.1	+16.0 (Jan. – Dec.)
Lumber Sales	+34.7	+ 5.7 (Jan. – Dec.)
Lumber Exports	+26.5	+24.7 (Jan. – Dec.)
Pulpwood Production	- 34.9	+47.8 (Jan. – Dec.)

UNEMPLOYMENT RATE (Unadjusted)	FEBRUARY 1973	JANUARY 1973	FEBRUARY 1972	JANUARY 1972
Canada	7.3	7.7	7.3	7.7
Alberta	5.6	6.2	5.0	5.1

per the 1972 federal budget. Although there is some doubt whether these provisions will be enacted, a reduced corporate profit tax rate would still make it possible to reduce consumer prices, leaving producer prices unchanged.

The tariff reduction on imported mobile homes will have little impact on mobile home sales in Alberta since the Canadian Standards Association regulations are enforced in Alberta by insurance and mortgage companies and imported mobile homes generally do not have this approval.

Traveltrailer standards are less stringent, however, and consequently the 2½ per cent reduction in customs duties means that a $1,400 unit can now be transported $37 farther into the Alberta market area.

ALBERTA – INTERNATIONAL AFFAIRS

A report by The Conference Board indicates that the labour force between now and 1985 in most industrialized nations will grow less rapidly than it did during the fifties and sixties. During the last twenty years, the labour force in Canada, U.S., and Japan grew at the highest rate of nearly 3 per cent per annum. Canada will have the highest labour force growth between now and 1985, over 2 per cent per year, as compared to a 1.5 per cent increase in the U.S. and the lowest, ¼ per cent, expected in most Western European countries. In contrast to Western Europe, where unemployment is low and labour scarce, Canada and the U.S. have high unemployment rates and labour force growth rates, making it difficult to create enough jobs to cause a significant decline in their unemployment rates. In 1960 the number of annual births in Canada peaked; therefore, it will be at least 1974 before the number of new entrants into the labour force declines. A diminishing labour force growth rate after 1974 should result in an improvement in the unemployment picture during the latter half of this decade.

Last month's devaluation of the U.S. dollar does not seem to have solved the international monetary crisis. Much uncertainty prevails over what will occur in the international monetary markets in future weeks. Up until the latest crisis, the Canadian dollar had floated about the devalued value of the U.S. dollar. Thus, our trading position in general had improved. It is difficult to estimate whether the Canadian dollar will remain at par with the U.S. dollar, should the U.S. dollar be devalued again or should other international currencies, namely the German mark and the Japanese yen, be revalued upwards still further. The recent decision to float most of the E.E.C. currencies could result in upward pressure on the Canadian dollar, but without a significant upward movement, our general international trading position would still likely improve. Even if the Canadian dollar should rise significantly above par with the U.S. dollar, Alberta's trading position should remain basically unchanged, since strong international demand for Alberta products exists, particularly in the U.S. Further revaluation of other currencies would however, enhance our trading position with, for example, Japan and Europe.

BUSINESS OUTLOOK

The Economic Council of Canada in its Ninth Annual Review has released a new set of objectives for the Canadian economy for 1973-1975 called "performance indicators". The following 15 values, if attained, should produce an economy during the latter half of the 1970's characterized by low unemployment and relative price stability. These indicators unfortunately, do not take into account the additional stimulus to the economy provided by the recent realignment of the world's major currencies or the tax and tariff reductions of the federal budget.

PERFORMANCE INDICATORS FOR THE PERIOD 1973 to 1975 (Calculated in 1961 dollars)

	Average Annual Percentage Change
Gross National Expenditure	6.0
Consumer Expenditures	5.5
Total investment	9.0
Investment in machinery and equipment, and non-residential construction	10.0
Housing construction	5.0
Government current expenditures	5.0
Exports of goods and services	6.0
Imports of goods and services	6.5
Real disposable income per capita	4.7
Output per person employed	2.8
Manufacturing industries, output per person employed	5.0
Total employment	3.1
Implicit price index of Gross National Expenditure	3.0
	Yearly Averages
Number of housing starts (thousands)	245
Rate of unemployment in 1975 (per cent)	4.5

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Printed by the QUEEN'S PRINTER for the Province of Alberta, Edmonton

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